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## HSA Frequently Asked Questions

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### THE BASICS OF HSAS

[What is a Health Savings Account \("HSA"\)?](#)[What Is a "High Deductible Health Plan" \(HDHP\)?](#)[How can I get a Health Savings Account?](#)[How much does an HSA cost?](#)

#### What is a Health Savings Account ("HSA")?

A Health Savings Account is an alternative to traditional health insurance; it is a savings product that offers a different way for consumers to pay for their health care. HSAs enable you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis.

You must be covered by a High Deductible Health Plan (HDHP) to be able to take advantage of HSAs. An HDHP generally costs less than what traditional health care coverage costs, so the money that you save on insurance can therefore be put into the Health Savings Account.

You own and you control the money in your HSA. Decisions on how to spend the money are made by you without relying on a third party or a health insurer. You will also decide what types of investments to make with the money in the account in order to make it grow.

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#### What Is a "High Deductible Health Plan" (HDHP)?

You must have an HDHP if you want to open an HSA. Sometimes referred to as a "catastrophic" health insurance plan, an HDHP is an inexpensive health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses (i.e., your "deductible") but will generally cover you after that. Of course, your HSA is available to help you pay for the expenses your plan does not cover.

For 2008, in order to qualify to open an HSA, your HDHP minimum deductible must be at least \$1,100 (self-only coverage) or \$2,200 (family coverage). The annual out-of-pocket (including deductibles and co-pays) for 2008 cannot exceed \$5,600 (self-only coverage) or \$11,200 (family coverage). HDHPs can have first dollar coverage (no deductible) for preventive care and apply higher out-of-pocket limits (and copays & coinsurance) for non-network services.

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#### How can I get a Health Savings Account?

Consumers can sign up for HSAs with banks, credit unions, insurance companies and other approved companies. Your employer may also set up a plan for employees as well.

#### How much does an HSA cost?

An HSA is not something you purchase; it's a savings account into which you can deposit money on a tax-preferred basis. The only product you purchase with an HSA is a High Deductible Health Plan, an inexpensive plan that will cover you should your medical expenses exceed the funds you have in your HSA. However, HSA trustees often will charge fees for their services.

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Last Updated: November 19, 2008


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## HSA Frequently Asked Questions

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### USING YOUR HSA

[Does an HSA pay for the same things that regular insurance pays for?](#)[How do I know what is included as "qualified medical expenses"?](#)[Who decides whether the money I'm spending from my HSA is for a "qualified medical expense?"](#)[What happens if I don't use the money in the HSA for medical expenses?](#)[Are dental and vision care qualified medical expenses under a Health Savings Account?](#)[Can I use the money in my HSA to pay for medical care for a family member?](#)[Can I use my HSA to pay for medical services provided in other countries?](#)[Can I pay my health insurance premiums with an HSA?](#)[Can I purchase long-term care insurance with money from my HSA?](#)[I have an HSA but no longer have HDHP coverage. Can I still use the money that is already in the HSA for medical expenses tax-free?](#)[What happens to the money in my HSA if I lose my HDHP coverage?](#)[Do unused funds in a Health Savings Account roll over year after year?](#)[What happens to the money in a Health Savings Account after you turn age 65?](#)[Can I use my HSA to pay for medical expenses incurred before I set up my account?](#)[Who will be the "bookkeeper" for my HSA?](#)[How do I use my HSA to pay my physician when I'm at the physician's office?](#)

### Does an HSA pay for the same things that regular insurance pays for?

HSA funds can pay for any "qualified medical expense", even if the expense is not covered by your HDHP. For example, most health insurance does not cover the cost of over-the-counter medicines, but HSAs can. If the money from the HSA is used for qualified medical expenses, then the money spent is tax-free.

### How do I know what is included as "qualified medical expenses"?

Unfortunately, we cannot provide a definitive list of "qualified medical expenses". A partial list is provided in IRS Pub 502 (available at [www.irs.gov](http://www.irs.gov)). There have been thousands of cases involving the many nuances of what constitutes "medical care" for purposes of section 213(d) of the Internal Revenue Code. A determination of whether an expense is for "medical care" is based on all the relevant facts and circumstances. To be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness. The determination often hangs on the word "primarily."

**Who decides whether the money I'm spending from my HSA is for a "qualified medical expense?"**

You are responsible for that decision, and therefore should familiarize yourself with what qualified medical expenses are (as partially defined in IRS Publication 502) and also keep your receipts in case you need to defend your expenditures or decisions during an audit.

**What happens if I don't use the money in the HSA for medical expenses?**

If the money is used for other than qualified medical expenses, the expenditure will be taxed and, for individuals who are not disabled or over age 65, subject to a 10% tax penalty.

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**Are dental and vision care qualified medical expenses under a Health Savings Account?**

Yes, as long as these are deductible under the current rules. For example, cosmetic procedures, like cosmetic dentistry, would not be considered qualified medical expenses.

**Can I use the money in my HSA to pay for medical care for a family member?**

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs.

**Can I use my HSA to pay for medical services provided in other countries?**

Yes.

**Can I pay my health insurance premiums with an HSA?**

You can only use your HSA to pay health insurance premiums if you are collecting Federal or State unemployment benefits, or you have COBRA continuation coverage through a former employer.

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**Can I purchase long-term care insurance with money from my HSA?**

Yes, if you have tax-qualified long-term care insurance. However, the amount considered a qualified medical expense depends on your age. See IRS Publication 502 for the amounts deductible by age.

**I have an HSA but no longer have HDHP coverage. Can I still use the money that is already in the HSA for medical expenses tax-free?**

Once funds are deposited into the HSA, the account can be used to pay for qualified medical expenses tax-free, even if you no longer have HDHP coverage. The funds in your account roll over automatically each year and remain indefinitely until used. There is no time limit on using the funds.

**What happens to the money in my HSA if I lose my HDHP coverage?**

Funds deposited into your HSA remain in your account and automatically roll over from one year to the next. You may continue to use the HSA funds for qualified medical expenses. You are no longer eligible to contribute to an HSA for months that you are not an eligible individual because you are not covered by an HDHP. If you have coverage by an HDHP for less than a year, the annual maximum contribution is reduced; if you made a contribution to your HSA for the year based on a full year's coverage by the HDHP, you will need to withdraw some of the contribution to avoid the tax on excess HSA contributions. If you regain HDHP coverage at a later date, you can begin making contributions to your HSA again.

**Do unused funds in a Health Savings Account roll over year after year?**

Yes, the unused balance in a Health Savings Account automatically rolls over year after year. You won't lose your money if you don't spend it within the year.

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**What happens to the money in a Health Savings Account after you turn age 65?**

You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy.

Once you turn age 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 10% penalty on the amount withdrawn.

**Can I use my HSA to pay for medical expenses incurred before I set up my account?**

No. You cannot reimburse qualified medical expenses incurred before your account is established. We recommend you establish your account as soon as possible.

**Who will be the "bookkeeper" for my HSA?**

It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts. If you run out of HSA funds (and therefore need to use your HDHP), you may need to send those receipts to your insurer..

**How do I use my HSA to pay my physician when I'm at the physician's office?**

If you are still covered by your HDHP and have not met your policy deductible, you will be responsible for 100% of the amount agreed to be paid by your insurance policy to the physician. Your physician may ask you to pay for the services provided before you leave the office. If your HSA custodian has provided you with a checkbook or debit card, you can pay your physician directly from the account. If the custodian does not offer these features, you can pay the physician with your own money and reimburse yourself for the expense from the account after your visit.

If your physician does not ask for payment at the time of service, the physician will probably submit a claim to your insurance company, and the insurance company will apply any discounts based on their contract with the physician. You should then receive an "Explanation of Benefits" from your insurance plan stating how much the negotiated payment amount is, and that you are responsible for 100% of this negotiated amount. If you have not already made any payment to the physician for the services provided, the physician may then send you a bill for payment.

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Last Updated: March 14, 2006

## **Treasury, IRS Issue 2009 Indexed Amounts for Health Savings Accounts**

**Washington, DC**--The Treasury Department and Internal Revenue Service issued new guidance on the maximum contribution levels for Health Savings Accounts (HSAs) and out-of-pocket spending limits for High Deductible Health Plans (HDHPs) that must be used in conjunction with HSAs. These amounts have been indexed for cost-of-living adjustments for 2010 and are included in Revenue Procedure 2009-29.

The new levels are as follows:

### New Annual Contribution Levels for HSAs:

- For 2010, the maximum annual HSA contribution for an eligible individual with self-only coverage is \$3,050.
- For family coverage, the maximum annual HSA contribution is \$6,150.
- Catch up contribution for individual who are 55 or older is \$1,000 (set by statute and unchanged from 2009).
- Individuals who are eligible individuals on the first day of the last month of the taxable year (December for most taxpayers) are allowed the full annual contribution (plus catch up contribution, if 55 or older by year end), regardless of the number of months the individual was an eligible individual in the year. For individuals who are no longer eligible individuals on that date, both the HSA contribution and catch up contribution apply pro rata based on the number of months of the year a taxpayer is an eligible individual.

### New Amounts for Out-of-Pocket Spending on HSA-Compatible HDHPs:

- For 2010, the maximum annual out-of-pocket amounts for HDHP self-coverage increase to \$5,950 and the maximum annual out-of-pocket amount for HDHP family coverage is twice that, \$11,900.

### Minimum Deductible Amounts for HSA-Compatible HDHPs:

- For 2010, the minimum deductible for HDHPs increases to \$1,200 for self-only coverage and \$2,400 for family coverage.

In addition, a fiscal year plan that satisfies the requirements for an HDHP on the first day of the first month of its fiscal year may apply that deductible for the entire fiscal year.

Revenue Procedure 2009-29 is attached.

## **REPORTS**

- Revenue Procedure 2009-29

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Revenue Procedure 2009-29 is attached.

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## **REPORTS**

- Revenue Procedure 2009-29

## Advantages of HSAs

**Security** – Your high deductible insurance and HSA protect you against high or unexpected medical bills.

**Affordability** – You should be able to lower your health insurance premiums by switching to health insurance coverage with a higher deductible.

**Flexibility** – You can use the funds in your account to pay for current medical expenses, including expenses that your insurance may not cover, or save the money in your account for future needs, such as:

- Health insurance or medical expenses if unemployed
- Medical expenses after retirement (before Medicare)
- Out-of-pocket expenses when covered by Medicare
- Long-term care expenses and insurance

**Savings** – You can save the money in your account for future medical expenses and grow your account through investment earnings.

**Control** – You make all the decisions about:

- How much money to put into the account
- Whether to save the account for future expenses or pay current medical expenses
- Which medical expenses to pay from the account
- Which company will hold the account
- Whether to invest any of the money in the account
- Which investments to make

**Portability** – Accounts are completely portable, meaning you can keep your HSA even if you:

- Change jobs
- Change your medical coverage
- Become unemployed
- Move to another state
- Change your marital status

**Ownership** – Funds remain in the account from year to year, just like an IRA. There are no “use it or lose it” rules for HSAs.

**Tax Savings** – An HSA provides you triple tax savings:

- (1) tax deductions when you contribute to your account;
- (2) tax-free earnings through investment; and,
- (3) tax-free withdrawals for qualified medical expenses.

## What Happens to My HSA When I Die?

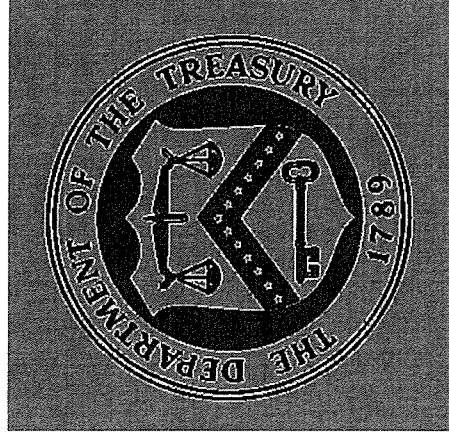
If your spouse becomes the owner of the account, your spouse can use it as if it were their own HSA. If you are not married, the account will no longer be treated as an HSA upon your death. The account will pass to your beneficiary or become part of your estate (and be subject to any applicable taxes).

## Opening Your Health Savings Account

Banks, credit unions, insurance companies and other financial institutions are permitted to be trustees or custodians of these accounts. Other financial institutions that handle IRAs or Archer MSAs are also automatically qualified to establish HSAs

## Need More Information about HSAs?

Treasury’s web site has additional information about Health Savings Accounts, including answers to frequently asked questions, related IRS forms and publications, technical guidance, and links to other helpful web sites. Treasury’s HSA website can be found through [www.treas.gov](http://www.treas.gov) (click on “Health Savings Accounts”) or directly at the following address: <http://www.treas.gov/offices/public-affairs/hsa/>.



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## Health Savings Accounts

A Health Savings Account (HSA) is an account that you can put money into to save for future medical expenses. There are certain advantages to putting money into these accounts, including favorable tax treatment. HSAs were signed into law by President Bush on December 8, 2003.

## Who Can Have an HSA

Any adult can contribute to an HSA if they:

- Have coverage under an HSA-qualified “high deductible health plan” (HDHP)
- Have no other first-dollar medical coverage (other types of insurance like specific injury insurance or accident, disability, dental care, vision care, or long-term care insurance are permitted).
- Are not enrolled in Medicare.
- Cannot be claimed as a dependent on someone else’s tax return.

Contributions to your HSA can be made by you, your employer, or both. However, the total contributions are limited annually. If you make a contribution, you can deduct the contributions (even if you do not itemize deductions) when completing your federal income tax return.

Contributions to the account must stop once you are enrolled in Medicare. However, you can keep the money in your account and use it pay for medical expenses tax-free.

## High Deductible Health Plans (HDHPs)

You must have coverage under an HSA-qualified “high deductible health plan” (HDHP) to open and contribute to an HSA. Generally, this is health insurance that does not cover first dollar medical expenses. Federal law requires that the health insurance deductible be at least:

- \$1,100\* -- Self-only coverage
- \$2,200\* -- Family coverage

In addition, annual out-of-pocket expenses under the plan (including deductibles, co-pays, and co-insurance) cannot exceed:

- \$5,600\* -- Self-only coverage
- \$11,200\* -- Family coverage

In general, the deductible must apply to all medical expenses (including prescriptions) covered by the plan. However, plans can pay for “preventive care” services on a first-dollar basis (with or without a co-pay). “Preventive care” can include routine pre-natal and well-child care, child and adult immunizations, annual physicals, mammograms, pap smears, etc.

## Finding HDHP Coverage

Any company that sells health insurance coverage in your state may offer HDHP policies. Although Treasury cannot recommend any specific names of companies selling these policies, you should be able to find a qualified policy by contacting your current insurance company, an agent or broker licensed to sell health insurance in your state, or your state insurance department.

## HSA Contributions

You can make a contribution to your HSA each year that you are eligible. For 2008, you can contribute up to \$2,900\* if you have Self-only coverage and \$5,800\* if you have Family coverage

\*2008 amounts; adjusted annually for inflation.

## Catch-Up Contributions

Individuals age 55 and older can also make additional “catch-up” contributions. The maximum annual catch-up contribution is as follows:

- 2008 - \$900
- 2009 and after - \$1,000

## Determining Your Contribution

Your eligibility to contribute to an HSA for each month is generally determined by the whether you have HDHP coverage on the first day of the month. Your maximum contribution for the year is the greater of: (1) *the full contribution*, or (2) *the pro rated amount*. The full contribution is the maximum annual contribution for the type of coverage you have on December 1. The pro rated amount is 1/12 of the maximum annual contribution for the type of HDHP coverage you have times the number of months you have that type of coverage. If your contribution is greater than the pro rated amount, and you fail to remain covered by an HDHP for the entire following year, the extra contribution above the pro rated amount is included in income and subject to an additional 10 percent tax.

**Examples:** If you first have family HDHP coverage on July 1, 2008, and keep HDHP coverage through December 31, 2008, you are allowed the full \$5,800 family contribution to an HSA for 2008. If you fail to remain covered by an HDHP for all of 2009, \$2,900 would be included income and subject to an additional 10 percent tax.

If you have family HDHP coverage from January 1, 2008 until June 30, 2008, then cease having HDHP coverage, you are allowed an HSA contribution of 6/12 of \$5,800, or \$2,900 for 2008.

If you have family HDHP coverage from January 1 2008 until June 30, 2008, and have self-only HDHP coverage from July 1, 2008 to December 31, 2008, you are allowed an HSA contribution of 6/12 x \$5,800 plus 6/12 of \$2,900, or \$4,350 for 2008.

Contributions can be made as late as April 15 of the following year.

## Using Your HSA

You can use the money in the account to pay for any “qualified medical expense” permitted under federal tax law. This includes most medical care and services, and dental and vision care, and also includes over-the-counter drugs such as aspirin.

You can generally not use the money to pay for medical insurance premiums, except under specific circumstances, including:

- Any health plan coverage while receiving federal or state unemployment benefits.
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage.
- Qualified long-term care insurance.
- Medicare premiums and out-of-pocket expenses, including deductibles, co-pays, and coinsurance for:
  - Part A (hospital and inpatient services)
  - Part B (physician and outpatient services)
  - Part C (Medicare HMO and PPO plans)
  - Part D (prescription drugs)

You can use the money in the account to pay for medical expenses of yourself, your spouse, or your dependent children. You can pay for expenses of your spouse and dependent children even if they are not covered by your HDHP.

Any amounts used for purposes other than to pay for “qualified medical expenses” are taxable as income and subject to an additional 10% tax penalty. Examples include:

- Medical expenses that are not considered “qualified medical expenses” under federal tax law (e.g., cosmetic surgery).
- Other types of health insurance unless specifically described above.
- Medicare supplement insurance premiums.
- Expenses that are not medical or health-related.

After you turn age 65, the 10% additional tax penalty no longer applies. If you become disabled and/or enroll in Medicare, the account can be used for other purposes without paying the additional 10% penalty.



**Smart Choices**

Smart Choices  
**Healthy Directions** →

## **High Deductible Health Plan (HDHP) and Health Savings Accounts (HSA)**

[An Innovative Medical Plan Option - Option 3](#)  
[Will a Health Savings Account Work for You?](#)  
[Comparing Health Care Flexible Spending Accounts and Health Savings Accounts](#)  
[All About UCAR's HDHP with HSA Option](#)  
[Health Savings Account \(HSA\)](#)  
[HSA Enrollment and Fees](#)  
[How Claims are Paid](#)  
[CIGNA Dental Plan](#)

### ***An Innovative Medical Plan Option – Option 3***

UCAR is again pleased to offer a progressive, new health plan option available to all eligible employees in 2008. The CIGNA High Deductible Health Plan (HDHP), coupled with an interest bearing Health Savings Account (HSA), gives you an alternative medical plan that provides you more control over how your healthcare dollars are spent.

Health Savings Accounts provide a way to pay for health care expenses. Federal legislation allows you to use an HSA, as long as you're in an HDHP. You can contribute to this account, on a tax-free basis, and then you and your covered dependents can use the HSA to pay for qualified medical expenses until you meet your deductibles. Thereafter, the plan pays for 100% of network medical expenses and 80% of reasonable and customary charges for non-network medical expenses. Even before the deductible is met, in network preventive care is covered at 100%. If participants don't use all of their HSA in one calendar year, the remaining money "rolls over" for use in future years.

### **Will a Health Savings Account Work for You?**

To help you decide if the High Deductible Health Plan (HDHP) with Health Savings Account (HSA) option is right for you, review this list of HSA features:

- An HSA is available *only* if you are in an HDHP.
- You can't be in an HSA if you are covered by another health plan (unless it is also an HDHP). For example, if you are covered under a spouse's medical plan, you can only elect the HSA if that medical plan is an HDHP.
- You fund your HSA with pre-tax savings that are taken directly from your pay.
- Unused amounts automatically roll over for use in following years.
- HSAs are portable from employer to employer; you can use up your balance as long as it's used for allowable medical claims. You may continue to contribute to the HSA if you are in another HDHP plan.
- When you use an HSA, you can increase your role in ensuring a secure retirement since, to a certain extent, you control the amount of money used or available for carry over from year to year in your interest bearing HSA.
- Contributions are securely held in trust for your use and they can grow through simple interest or investment income.
- Money in your HSA can be used to pay for the same health care expenses that are allowed under a Flexible Health Care Spending Account\*, such as:

Deductibles and coinsurance under both the medical and dental plans.

Vision care expenses, such as eye exams, glasses, contacts and laser eye surgery.

Hearing care expenses, including exams and necessary hearing aids.

Over-the-counter medicines and drugs that are purchased for medical care, including those used for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body. (Antacids, allergy medicine, pain relievers and cold medicines are examples of eligible expenses.)

[\\*Click here for more detailed information about eligible expenses for reimbursement from a Flexible Health Care Spending Account.](#)

- Money in your HSA can also be used to pay premiums for:  
Individual long-term care, disability and vision insurance policies  
COBRA insurance coverages  
Health plan coverage while receiving unemployment insurance  
If age 65+, any health insurance except Medicare Supplement (A-J), known as Medigap coverage
- You can't contribute to an HSA if you are on Medicare.
- [Click here for detailed IRS information about HSAs](#)

### **Please note: Health Savings Account participants**

Due to IRS rules pertaining to HSA participants also using a health care flexible spending account, only charges for dental and vision may be placed on the DRC. Any medical or pharmacy charges will not be allowed on the card. The DRC can still be used for the dependent care flexible spending account.

### **Comparing Health Care Flexible Spending Accounts and Health Savings Accounts**

Many of you may have taken advantage of the Smart Choices Health Care Flexible Spending Account over the years. This spending account primarily helps you pay for out-of-pocket health care expenses that aren't reimbursed by your medical or dental plan.

If you choose to participate in an HSA, you can continue participating in a health care Flexible Spending Account (FSA), but you can't use the FSA for medical expenses or general purposes like paying for over-the-counter drugs, *until the HDHP deductible is met*. That's because tax-deductible contributions to an HSA are *only* allowed for individuals covered under an HDHP who are NOT covered under another health plan that pays for services before the HDHP's deductible is met. So, FSA contributions are permitted when you use it to pay only for certain benefits, such as vision and dental. For instance, an FSA can be used to pay for such expenses as orthodontics.

Here are a few ways Flexible Spending Accounts and Health Savings Accounts differ:

Component	Health FSA	HSA with HDHP
Employee contributions from pay	Permitted	Permitted, until under Medicare
Carryover of unused amounts	Not permitted	Permitted
Cash-outs of unused amounts	Not permitted	Permitted, subject to a 10% penalty tax & regular income tax
Availability of contributions	Full contribution amount (less amount withdrawn) must be available throughout coverage	Cannot pre-spend before funds are contributed to HSA

	period	
Ability to spend down unused amounts after termination of active participation	Unused amounts only available through COBRA participation	Subject to certain restrictions, can permit unused amounts to be used up

### All About UCAR's HDHP with HSA Option

Now that you know the features of a standard HSA, you'll want to understand how UCAR's HDHP with HSA option is designed.

The plan design is very similar to the current CIGNA PPO plan. HDHP participants use the CIGNA PPO provider directory for network services.

#### *You Can Save Up to 100% of the HDHP Deductible in an HSA*

Employee contributions to an HSA are limited:

- \$3,000 for Employee Only coverage
  - \$5,950 for Employee + One coverage (\$3,000 each)
  - \$5,950 for Employee + Family coverage
- If you are age 55 to 65, special catch-up contribution maximums allow you to contribute an additional \$1,000 in 2009.

#### *The HDHP Plan Pays Expenses After You Meet Your Deductible*

Under our CIGNA HDHP, after your deductible is met the plan pays.

- 100% for in-network services and prescriptions
- 80% of reasonable and customary charges for combined network /non-network services

Most in-network preventive care is payable by the plan at 100%, even before the deductible is met.

#### *You'll Never Pay More than the HDHP Out-of-Pocket Maximum for Covered Medical Expenses*

The Out-of-Pocket maximum limits the total amount participants have to pay for healthcare coverage. It is important to remember that this amount **includes** the deductible.

- Employee Only  
The Out-of-Pocket maximum is \$3,000 for network providers or \$3,500 for network and non-network providers combined. After the applicable maximum is met, the plan then pays for 100% of covered medical expenses for reasonable and customary charges.
- Employee + One  
The Out-of-Pocket maximum is \$3,000 per person for network providers, or \$5,950 total. It's \$3,500 per person for network and non-network providers combined, to a maximum of \$6,450. After the applicable maximum is met, the plan then pays for 100% of covered medical expenses for reasonable and customary charges.
- Employee + Family  
The Out-of-Pocket maximum is \$3,000 per person for network providers, up to a family maximum of \$5,950. It's \$3,500 per person for network and non-network providers combined, up to a family maximum of \$6,450. After one or all of you meet the applicable maximum, the plan then pays for 100% of covered medical expenses for reasonable and customary charges.

#### *If You Save the HSA Maximum, You'll Cover Your HDHP Deductible*

*Here's an example of how our HDHP works in conjunction with the HSA*

- **Employee Only**

If you contribute the maximum (\$3,000) to an HSA, it will offset all of your \$3,000 deductible by paying for the first \$3,000 of your prescriptions and medical expenses covered under the plan. Once you've met the \$3,000 deductible, your Coinsurance Coverage will begin. At that point, the HDHP pays 100% of your medical expenses for network providers and 80% of reasonable and customary charges for non-network providers. Once the Out-of-Pocket maximum is reached, the plan will pay 100% for all qualifying expenses.

- **Employee + One**

If you contribute the maximum (\$5,950) to an HSA, it will offset all of your \$5,950 deductible by paying for the first \$5,950 of your prescriptions and medical expenses covered under the plan. Once you've met the \$5,950 deductible, your Coinsurance Coverage will begin. At that point, the HDHP pays 100% of your medical expenses for network providers and 80% of reasonable and customary charges for non-network providers. Once the Out-of-Pocket maximum is reached, the plan will pay 100% for all qualifying expenses.

- **Employee + Family**

If you contribute the maximum to an HSA, your family will share a \$5,950 Health Savings Account that helps offset deductible expenses as medical care and prescriptions are received. The deductible is \$3,000 per person up to a maximum of \$5,950 per family. Once the individual or family deductible has been met, Coinsurance Coverage begins. The HDHP then pays 100% of medical expenses for network providers and 80% of reasonable and customary charges for non-network providers. Once the Out-of-Pocket maximum is reached, the plan will pay 100% for all qualifying expenses.

*Preventive Care is Covered 100% without a Deductible*

One of the most important things to remember about our HDHP with HSA medical plan option is that the in-network plan will cover 100% of certain preventive care services before you have met your deductible. Some examples of preventive care are:

- Physical exam
- Well-baby care
- Blood pressure screening
- Cholesterol check
- Tetanus-Diphtheria booster
- Diabetes screening
- Flu Shot (influenza immunization)
- Testing for colon cancer
- Clinical breast exam and pap test
- Mammogram

**NOTE:** To be considered "preventive care," the claim must be coded as part of an annual wellness exam.

**NOTE:** Deductibles and claims meeting the Out-of-Pocket maximums will apply for non-participating provider visits. A charge will be considered Reasonable and Customary if:

- It is the normal charge made by the provider for a similar service or supply; and
- It does not exceed the normal charge made by most providers of such service or supply in the geographic area where the service is received, as determined by CIGNA.

To determine if a charge is Reasonable and Customary, the nature and severity of the injury or sickness being treated will be considered.

## **Health Savings Account (HSA)**

### **HSA Enrollment and Fees**

During the enrollment process, new HSA enrollees will be asked to download an application for the CIGNA Choice Fund Health Savings Account. JP Morgan Chase Bank is the trustee of the account.

UCAR will pay the annual fee of approximately \$100 per participating employee. This fee includes a debit card at no cost to the participant and a monthly statement. The debit card can be used at merchant locations for no charge and without limitation. ATM cash withdrawals are \$1.25 per transaction. These withdrawals may be used to reimburse yourself.

Participants may elect to receive a checkbook of 25 checks free of charge. Subsequent check orders are also free of charge. The fee for check writing is \$1.35 per check processed.

Please refer to page three of the application for a complete listing of other administrative fees such as teller withdrawals, lost debit card replacement, non-sufficient funds, stop check service, etc.

### **Direct Deposit of HSA Contributions**

Your CIGNA Choice Fund Health Savings Account contributions will be withdrawn from your bi-weekly payroll check on a pre-tax basis and directly deposited to your personal account at Chase. UCAR will receive your account number in advance of your receiving it and will set up the direct deposit on your behalf. We will request a direct deposit authorization form from you in December or early January.

During the Open Enrollment process, you will be asked to download and sign the UCAR Payroll Authorization form authorizing UCAR to remove the CIGNA Choice Fund Health Savings Account contributions from your bi-weekly payroll check.

### **How to Enroll in an HSA:**

#### **Hard copy form -**

1. Please download and read the CIGNA Choice Fund Health Savings Account application and sign the last two pages in black ink. Make a copy of the two original signed pages for your records.
2. Download and sign the UCAR Payroll Authorization form and sign.
3. Return the two original signed pages of the CIGNA Choice Fund Health Savings Account application and the signed UCAR Payroll Authorization form to Human Resources no later than 5:00 p.m., Thursday, November 30, 2006.
4. Human Resources will submit your completed application to Chase who will then send you an introductory packet including the debit card, check book (if elected) and your account number by early January (approximate date).
5. Human Resources and Payroll will set up your personal account number and the amount per pay period you elected to have contributed to your CIGNA Choice Fund Health Savings Account.

NOTE: First time HSA enrollees might experience a delay in opening an account due to stringent new account regulations stipulated by the Patriot Act of 2001.

### **How Claims Are Paid**

- **Your in-network doctor will not collect any money from you at the time of your office visit.** Instead, your doctor or medical care provider will send the claim directly to CIGNA HealthCare. (You may have to submit claims for out-of-network care.)
- CIGNA HealthCare will process the claim and send you an Explanation of Benefits (EOB). The

EOB will tell you:

- If your plan covers the services received
- If so, what part of the covered services your plan will pay
- How much you owe your doctor. You may pay your doctor using your CIGNA Choice Fund/Chase MasterCard® debit card or check book, or your personal funds.
- If the expense is not eligible for payment from the underlying medical plan, you will receive an EOB letting you know that you are responsible to pay for the services from your personal account.
- If you receive a bill from your doctor, make sure the claim has been sent to CIGNA HealthCare before you pay it. You can do this by:
  - Checking your savings account activity on [myCIGNA.com](http://myCIGNA.com).
  - Reading your monthly statement from Chase.
  - Checking the information you received on an EOB from CIGNA.
  - Calling Customer Service to find out the status of your claim. (The toll-free number is on your CIGNA HealthCare ID card.)
- You may reimburse yourself using your check book (if elected) for \$1.35 per check OR use the debit card for \$1.25 per ATM withdrawal transaction. The debit card can be used at merchant locations for no charge and without limitation.
- You have the option of having CIGNA pay your medical claims directly to your provider by using money in your HSA. An "Automatic Claim Forwarding Authorization" form must be completed and submitted to CIGNA. Log into [myCIGNA.com](http://myCIGNA.com) to access the form link on the right side of the screen.

## CIGNA Dental Plan

**Please note:** All medical plan participants are eligible for dental coverage through the CIGNA Dental Plan. Participants may choose to elect both a medical plan and the CIGNA Dental plan, elect only a medical plan, or elect only the CIGNA Dental plan.

Questions about this site? Contact: [webmaster@fanda.ucar.edu](mailto:webmaster@fanda.ucar.edu)